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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 07/13/06

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11) North Korean missiles: South Korean dailies urge Roh administration to warn North Korea instead of criticizing Japan

TOKYO SHIMBUN (Page 6) (Full)
July 13, 2006

Seoul, Yuji Yamamoto

South Korea's Roh Moo Hyun administration blasted Japanese officials for raising the idea of preemptive attacks on missile bases in North Korea. Major South Korean dailies yesterday carried editorials urging the Roh administration to warn Pyongyang instead of criticizing Japan.

The Chosun Ilbo wrote, "The South Korean government is strongly concerned over a possible military build up by Japan, but it was North Korea's nuclear arms and missiles that gave Japan the excuse for raising the idea." It then criticized the delay in the administration's response, noting, "There was an easygoing atmosphere in the South Korean government concerning the missile launches by Pyongyang."

The Joong Ang Ilbo pointed out that the argument made by some influential Japanese politicians for attacking North Korea was a preposterous, because if such an attack would turn the Korean Peninsula into a battlefield. However, it also criticized the Roh administration, saying, "The problem is that it was slow to respond to North Korea's missile launches, which have threatened our security, while Japan has immediately come up with this hard-line stance."

The Dong A Ilbo wrote: "South Korea is facing a difficult decision. What is the benefit of letting the missile friction between Tokyo and Pyongyang sparking confrontation between Seoul and Tokyo?"

12) Minshuto head Ozawa: North Korea will not attack Japan

NIHON KEIZAI (Page 2) (Full)
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11) Major South Korean daily blasts President Roh, calls on him to spend more time worrying about North Korea than criticizing Japan

Appearing on a TV Asahi program last night, Minshuto (Democratic Party of Japan) President Ichiro Ozawa said: "Although North Korea is using brinksmanship as a political tool, it will never wage war and attack another country." Asked whether he would cooperate with the government to resolve the issue, he stressed: "The person who holds the reins of government should fulfill that responsibility. If he cannot do so, he should resign."

Asked about how he thought the United States would respond, Ozawa responded: "The US has no intention to fight against North Korea and China. In order to bring about democracy to North Korea, it is absolutely necessary for the US to cooperate with China."

13) Enemy base strike argument creates stir in gov't, ruling coalition: Abe denies calling for preemptive strike, Yamasaki calls concept "outrageous"

ASAHI (Page 2) (Full)
July 13, 2006

Chief Cabinet Secretary Abe defended his recent remark suggesting the need to study the capability of striking enemy bases in response to North Korea's July 5 firing of missiles. "I said we would need to study it premised on the case in which Japan came under attack," Abe said yesterday. "No one is saying we should strike first," he added.

Abe was replying to a question in a press conference yesterday. In South Korea, President Roh Moo Hyun called Abe's enemy base strike remark a "preemptive strike." Abe rebutted such reactions at home and abroad to his remark.

"Some critics sound as if to say Japan would invoke the right of self-defense before another country has yet to carry out an armed attack," Abe said. "But," he went on, "that's totally incorrect." He added, "They're striking the air with a stick though there's nothing

there." With this, Abe underscored his position that Japan may be allowed to strike an enemy base after an enemy country initiated an attack (chakushu) on Japan.

Abe also admitted to the difficulty of determining when the enemy was initiating an attack Japan. "It is of course highly likely after a missile has landed and caused damage," Abe said.

However, Abe noted the necessity of discussing whether Japan should acquire the capability of striking an enemy base.

"We have our respective roles to play-Japan as a shield (on the defensive) and the United States as a spearhead (on the offensive)-in order for the two countries to act in concert to deal with an attack, so we need to study our best combination at all times," Abe explained.

In the meantime, Taku Yamasaki, chairman of the ruling Liberal Democratic Party's security affairs panel, warned strongly of Abe's advocacy of discussing whether to acquire the capability of striking enemy bases. "It's a highly outrageous argument," Yamasaki said in a speech he delivered yesterday in the city of Osaka. He also said,

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"It runs counter to Japan's defense-only posture, and it's a serious breach of the Constitution." He added, "Government officials in charge of foreign and security policies should refrain from saying things like that."

Yamasaki went on: "New Komeito President Kanzaki said, 'It could develop into an all-out war.' That's correct. The people would think of it as pounding an attack-launching base, so it has very risky factors. It's dangerous like the prewar mood for doing whatever we pleased."

14) Prospective LDP presidential candidates likely to announce their candidacies after August 15

TOKYO SHIMBUN (Page 2) (Excerpts)
July 13, 2006

Although the LDP presidential election in September is less than two months away, prospective candidates, such as Taro Aso, Sadakazu Tanigaki, Yasuo Fukuda, and Shinzo Abe, have yet to clearly announce their candidacies. A full-fledged post-Koizumi race was expected to start to coincide with the end of the last Diet session on June 18. But that did not happen. Candidates are not likely to come forward until at least mid-August.

In late May, Chief Cabinet Secretary Shinzo Abe, the front-runner in various opinion polls, indicated that he would announce his candidacy after the St. Petersburg G8 summit to start July 15. But since the end of the last Diet session, he has been leaning toward doing so in mid-August or later.

A person close to Abe explained: "The presidential race is not heating up because hardly any lawmaker is in Tokyo while the Diet is in recess." Former Chief Cabinet Secretary Yasuo Fukuda, a popular figure among anti-Abe forces, has been mum about entering the presidential race. This is apparently affecting Abe's attitude.

Former defense chief Seishiro Eto, a supporter of Fukuda, urged Fukuda to throw his hat in the ring, saying, "It will take two months for you to let the people know your policies. That means you have to announce your candidacy no later than late July." Still, Fukuda has remained silent.

Many LDP members believe that Fukuda will make up his mind after watching whether or not Prime Minister Koizumi will visit Yasukuni Shrine on August 15. They think Koizumi's shrine visit would result in greater Asia-policy expectations of Fukuda, who is critical of

such visits.

Regardless of his intentions, Fukuda by remaining silent has turned August 15 into a major landmark day in the presidential race.

Meanwhile, Abe, a supporter of Koizumi's shrine visits, seems to have judged that it would not be too late to announce his candidacy after watching whether Koizumi would pay homage at Yasukuni on August 15 and what Fukuda's course of action would then be.

Tanigaki having hard time in obtaining endorsements

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Overshadowed by the tug-of-war between Abe and Fukuda, Foreign Minister Taro Aso and Finance Minister Sadakazu Tanigaki are highly alarmed. But they have yet to determine the timing of announcements of their candidacies, either.

In a meeting on July 6 of executive members of the Tanigaki faction, many urged Tanigaki to formally run in the race in July ahead of Abe and Fukuda. In response, Tanigaki said, "I will follow your advice."

15) New Komeito to delay adoption of its own constitutional reform proposal to September or after

YOMIURI (Page 4) (Excerpts)
July 13, 2006

The New Komeito decided yesterday in a meeting of its Constitutional Research Council not to adopt its own constitutional reform draft proposal, which calls for adding new articles in the present Constitution, even though the party had planned to adopt it at its convention on Sept. 30. As a result, the party has put off the adoption of its own constitutional reform proposal. The decision was made because the Diet had decided at the recent regular session to carry a national referendum bill that would set procedures for amending the Constitution over to the next session. The New Komeito's decision to delay the work might affect constitutional debates in other political parties.

Constitutional Research Council Chairman Akihiro Ota told reporters, "A majority of our party members wanted to continue cautious and in-depth discussion."

Ota revealed that he would announce at the convention only items and themes to be added to a draft proposal and that the draft proposal would include: (1) the first paragraph of Article 9 should be retained; (2) environment rights, privacy right, the right to receive lifelong study, and the human rights of foreigners should be added; and (3) authorities of local governments should be made clear. He also unveiled that his party would formulate its own constitutional reform draft after the fall extraordinary Diet session, saying, "The prospect would be passage of the national referendum bill."

Ota announced at the party's convention last November that the party's own constitutional reform draft proposal would be compiled in September 2006. It was thought that the constitutional reform draft to be formulated by Ota, the most likely candidate to become the next party head, would become a showcase of the September party convention.

Since the constitutional referendum bill has been carried over to the next session, a cautious view grew in the party. "It is not a good timing for the party to adopt a constitutional reform draft proposal while discussion on procedures for amending the Constitution are going on," said party head Takenori Kanzaki.

16) Minshuto to take aggressive approach to Okinawa; National

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secretaries general meeting tomorrow; Security policy holds the key

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ASAHI (Page 4) (Abridged)

July 13, 2006

Minshuto (Democratic Party of Japan) will hold a national meeting of local secretaries general and election campaign managers in Naha City tomorrow to strengthen party unity for next year's Upper House and unified local elections. The party picked Okinawa to host the meeting outside Tokyo for the first time, thinking the prefecture will draw much attention among all single-seat constituencies, which hold the key to a victory in the Upper House election in terms of security policy and a possible united front of the opposition camp. Whether or not Minshuto can send a strong message on security policy, the party's weakest point, remains to be seen.

Minshuto President Ichiro Ozawa in a press conference on July 11 highlighted the significance of holding the national secretaries general meeting in Okinawa, saying: "It's a tough challenge to win the support of the Okinawa public for the Upper House election next year." At present, Minshuto has no lawmaker elected from Okinawa. Okinawa residents are not necessarily happy with the Liberal Democratic Party's policy on US force realignment. Minshuto has decided that this is a golden opportunity to take an aggressive approach to wrest Okinawa's seat from the LDP.

But in order to achieve a victory in the Upper House election in Okinawa, Minshuto needs to join hands with other opposition parties. The gubernatorial election in November could serve as a test case.

The party is now searching for ways to join forces with the Japanese Communist Party, the Social Democratic Party, Jiyu Rengo, the Okinawa Social Mass Party, and local political group Sozo.

Minshuto's bid depends largely on whether it can reach a common view with those parties on the plan to relocate Futenma Air Station to Cape Henoko in Nago.

Through their talks in late June, Ozawa, his deputy Naoto Kan, and Secretary General Yukio Hatoyama confirmed the party's policy course

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to quickly assemble a unified view on US force realignment. Days after the talks, Ozawa and Hatoyama listened in Tokyo to the views of National Graduate Institute for Policy Studies Professor Akikazu Hashimoto, an expert on the Okinawa base issue. Hashimoto advised Minshuto to have its own diplomatic and security policy line.

But work has not been smooth. In compiling the party's Okinawa vision last summer, Minshuto originally planned to call for relocating Futenma Air Station out of Japan, but ended up with "removing it from Okinawa." But since Tokyo and Washington reached an agreement, the Minshuto leadership has not presented any clear view on the Henoko relocation plan, with many members, especially junior lawmakers, taking relocating Futenma Air Station outside Okinawa as a pipe dream. Minshuto lawmakers responsible for security policy are visibly at a loss, saying, "In order for us to discuss the matter, the leadership must show us a clear direction."

17) BOJ to lift zero interest rate policy tomorrow, determining

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spend more time worrying about North Korea than criticizing Japan

economy is expanding: Guidance target to be set at 0.25 PERCENT

NIHON KEIZAI (Top Play) (Excerpts)
July 13, 2006

The Bank of Japan (BOJ) will likely lift at a policy-setting meeting starting on July 13 its zero interest rate policy on short-term interest rates. Nine panel members with the right to vote have determined that the economy is expanding in a sustainable manner and that the basic trend of prices is in positive territory, and they are now inclined to end the policy. The panel will decide to raise the guidance target for short-term interest rates from the current 0 PERCENT to 0.25 PERCENT a year by majority vote at tomorrow's meeting. The interest rate in the short-term financial market will be raised for the first time in five years and four months.

Coordination underway to set official discount rate between 0.4 PERCENT and 0.5 PERCENT

Among various interest rates, which the BOJ is responsible for raising or lowering in implementing financial policy, the most important interest rate is the unsecured overnight call rate. It will set a new guidance target for this interest rate at 0.25 PERCENT a year, followed by a hike in the current official discount rate of 0.1 PERCENT.

Major points in BOJ's financial policy change

- Lifting the zero interest rate policy and raising the guidance target for the unsecured overnight call rate to 0.25 PERCENT
- Announcing a decision to make the pace of additional interest hikes moderate
- Raising the official discount rate from the current 0.1 PERCENT and undertaking coordination for the new rate between 0.4 PERCENT and 0.5 PERCENT .
- Maintaining the present amount of 1.2 trillion yen for the purchases of long-term government bonds.
- Changing its judgment on the present state of the economy from steady recovery to expansion.

SCHIEFFER